

Table B.--U.S. Corporation Income Tax: Tax Brackets and Rates, 1909-2003 ¹

Year ²	Taxable income brackets ³	Rates (percent)
1909-1913 (February 28).....	First \$5,000	--
	Over \$5,000	1.00
1913 (March 1)-1915.....	All taxable income	1.00
1916.....	All taxable income	2.00
1917 ⁴	All taxable income	6.00
1918 ⁴	First \$2,000	--
	Over \$2,000	12.00
1919-1921 ⁴	First \$2,000	--
	Over \$2,000	10.00
1922-1924 ⁴	First \$2,000	--
	Over \$2,000	12.50
1925.....	First \$2,000	--
	Over \$2,000	13.00
1926-1927.....	First \$2,000	--
	Over \$2,000	13.50
1928.....	First \$3,000	--
	Over \$3,000	12.00
1929.....	First \$3,000	--
	Over \$3,000	11.00
1930-1931.....	First \$3,000	--
	Over \$3,000	12.00
1932-1935 ⁵	All taxable income	13.75
1936-1937 ^{5,6}	First \$2,000	8.00
	Over \$2,000, not over \$15,000	11.00
	Over \$15,000, not over \$40,000	13.00
	Over \$40,000	15.00
1938-1939 ⁵	Taxable income \$25,000 or less:	
	First \$5,000	12.50
	Next \$15,000	14.00
	Next \$5,000	16.00
	Taxable income over \$25,000	19.00
1940 ^{5,7}	Taxable income \$31,964.30 or less:	
	First \$5,000	14.85 ⁸
	Next \$15,000	16.50 ⁸
	Next \$5,000	18.70 ⁸
	Next \$6,964.30	38.30 ⁸
	Taxable income over \$31,964.30, not over \$38,565.84:	
	First \$5,000	15.40 ⁸
	Next \$15,000	16.90 ⁸
	Next \$5,000	18.90 ⁸
	Next \$13,565.84	36.90 ⁸
	Taxable income over \$38,565.84	24.00 ⁸
1941 ^{5,7}	Taxable income \$38,461.54 or less:	
	First \$5,000	21.00 ⁹
	Next \$15,000	23.00 ⁹
	Next \$5,000	25.00 ⁹
	Next \$13,461.54	44.00 ⁹
	Taxable income over \$38,461.54	31.00 ⁹

Footnotes at the end of table.

Table B.--U.S. Corporation Income Tax: Tax Brackets and Rates, 1909-2003 ¹--Continued

Year ²	Taxable income brackets ³	Rates (percent)
1942-1945..... ^{5,7}	Taxable income \$50,000 or less: First \$5,000 Next \$15,000 Next \$5,000 Next \$25,000 Taxable income over \$50,000	25.00 ⁹ 27.00 ^{9,10} 29.00 ^{9,10} 53.00 ^{9,10} 40.00 ^{9,10}
1946-1949.....	Taxable income \$50,000 or less: First \$5,000 Next \$15,000 Next \$5,000 Next \$25,000 Taxable income over \$50,000	21.00 ⁹ 23.00 ⁹ 25.00 ⁹ 53.00 ^{9,10} 38.00 ^{9,10}
1950..... ¹¹	First \$25,000 Over \$25,000	23.00 42.00 ¹⁰
1951..... ¹¹	First \$25,000 Over \$25,000	28.75 ¹² 50.75 ¹²
1952-1963..... ¹¹	First \$25,000 Over \$25,000	30.00 ¹³ 52.00 ¹³
1964.....	First \$25,000 Over \$25,000	22.00 50.00 ¹³
1965-1967.....	First \$25,000 Over \$25,000	22.00 48.00 ¹³
1968-1969..... ¹⁴	First \$25,000 Over \$25,000	24.20 ¹⁵ 52.80 ^{13,15}
1970..... ¹⁴	First \$25,000 Over \$25,000	22.55 ¹⁶ 49.20 ^{16,17}
1971-1974..... ¹⁴	First \$25,000 Over \$25,000	22.00 48.00 ¹⁸
1975-1978..... ¹⁴	First \$25,000 \$25,000-\$50,000 Over \$50,000	20.00 22.00 48.00 ¹⁹
1979-1981..... ¹⁴	First \$25,000 \$25,000-\$50,000 \$50,000-\$75,000 \$75,000-\$100,000 Over \$100,000	17.00 20.00 30.00 ²⁰ 40.00 ²⁰ 46.00 ²⁰
1982..... ¹⁴	First \$25,000 \$25,000-\$50,000 \$50,000-\$75,000 \$75,000-\$100,000 Over \$100,000	16.00 19.00 30.00 ²⁰ 40.00 ²⁰ 46.00 ²⁰
1983..... ^{14,21}	First \$25,000 \$25,000-\$50,000 \$50,000-\$75,000 \$75,000-\$100,000 Over \$100,000	15.00 18.00 30.00 ²⁰ 40.00 ²⁰ 46.00 ²⁰
1984-1986..... ¹⁴	First \$25,000 \$25,000-\$50,000 \$50,000-\$75,000 \$75,000-\$100,000 \$100,000-\$1,000,000 \$1,000,000-\$1,405,000 Over \$1,405,000	15.00 18.00 30.00 ²⁰ 40.00 ²⁰ 46.00 ²⁰ 51.00 ²⁰ 46.00 ²⁰

Footnotes at the end of table.

Table B.--U.S. Corporation Income Tax: Tax Brackets and Rates, 1909-2003 ¹--Continued

Year ²	Taxable income brackets ³	Rates (percent)
1987 ^{22, 23}	First \$25,000	15.00
	\$25,000-\$50,000	16.50
	\$50,000-\$75,000	27.50
	\$75,000-\$100,000	37.00 ²⁴
	\$100,000-\$335,000	42.50 ²⁴
	\$335,000-\$1,000,000	40.00 ²⁴
	\$1,000,000-\$1,405,000	42.50 ²⁴
	Over \$1,405,000	40.00 ²⁴
1988-1992	First \$50,000	15.00
	\$50,000-\$75,000	25.00
	\$75,000-\$100,000	34.00
	\$100,000-\$335,000	39.00
	Over \$335,000	34.00
1993-2003	First \$50,000	15.00
	\$50,000-\$75,000	25.00
	\$75,000-\$100,000	34.00
	\$100,000-\$335,000	39.00
	\$335,000-\$10,000,000	34.00
	\$10,000,000-\$15,000,000	35.00
	\$15,000,000-\$18,333,333	38.00
	Over \$18,333,333	35.00

¹ The rates shown are the "standard" or "ordinary" rates, applying to all taxable corporate net income unless otherwise provided. However, there have always been numerous exceptions and special rates based on the type of corporation, the type of income, and other factors. In addition, there have been, at various times, additional taxes related to income that increased the statutory rates. When possible, these are noted in other footnotes to this table for the years for which they were effective. Credits, deductions, and other alterations in the definition of taxable income also effectively alter the tax rate, but these are too numerous and too frequent to include in a table such as this.

The most important types of corporations to which these rates have not always applied, or not applied as they did to other corporations, are:

Section 501(c) and similar nonprofit corporations: Corporations not organized or operated for profit are generally exempt from the corporation income tax except, since 1950, on business income unrelated to their exempt purposes. *Mutual and cooperative organizations:* Most of these were treated as nonprofits in the early days of the income tax. Most have long since been made taxable as ordinary corporations, but there are still some exceptions. Credit unions and small mutual property insurance companies are exempt. Rural electrical and telephone cooperatives are exempt on income generated in transactions with their members. Farmers' cooperatives are not taxed on income distributed to their members. *Insurance companies:* Because of the nature of insurance, determining taxable income has often been a problem for the tax system. Insurance companies have been subjected to a number of different tax structures since 1921, including special rates and complete exemption of premium income. They are currently taxed at the same rates as other corporations on income calculated using reserve deductions (which other corporations are not allowed). *Regulated Investment Companies (since 1936) and Real Estate Investment Trusts (since 1961):* These investment companies are not taxed on profits distributed to shareholders if they distribute substantially all of their incomes annually. *S Corporations:* Since 1958, certain closely held corporations could elect to be taxed through their shareholders, as partnerships are, and not pay the corporate tax at all (except in special, unusual circumstances). *Foreign corporations:* Companies incorporated outside the U.S. are taxed on business income earned in the U.S. at the regular corporate rates, but may be taxed on investment income at special statutory or treaty rates. *U. S. corporations with foreign-source income:* The U.S. taxes the worldwide income of U.S. corporations; however, since 1918, taxes paid to foreign governments on foreign-source income can be credited against the U.S. tax otherwise due on that income. (Before 1918, the foreign taxes were allowed as a deduction against worldwide income.) *U.S. Possessions Corporations:* Since 1921, corporations earning most of their incomes in a U.S. possession were subject to reduced taxes. From 1921 to 1976, they were taxable only on U.S.-source income; since 1976, they have received a credit for manufacturing income earned in a possession (including Puerto Rico). The credit is now being phased out and is scheduled to end after 2005. *Affiliated groups:* Corporations that are closely affiliated through stock ownership have usually been allowed to consolidate their financial statements for tax purposes and file one return for the group, but there have always been restrictions and, sometimes, they have been charged an additional tax for the privilege. In 1932 and 1933, consolidated returns were subject to an additional tax of .75 percent. In 1934 and 1935, only railroad companies were allowed to file consolidated returns, and the additional tax was 1 percent. From 1936 to 1941, there was no additional tax, but the privilege was restricted to railroads and a few other companies. From 1942 to 1964, most domestic affiliated groups that met the stock ownership and other requirements could file consolidated returns, but the surtax on such a group was increased by 2 percentage points. The additional tax on consolidated returns was repealed, effective December 31, 1963.

The most important type of income to have received special rates was "long-term" capital gains. From 1942 through 1987, the tax rate was capped at a maximum rate lower than the highest corporate rate. (The rates are noted in footnotes to the table.) Although there is currently no special rate for corporations' capital gains, long-term capital gains are still treated separately from other income in the tax code.

During World War I, the Great Depression, World War II, and the Korean War, additional taxes were imposed on what were called "war profits" or "excess profits." These are noted in the table in footnotes to the applicable years.

In addition to taxes based on net income, there have been from time to time taxes based on accumulated earnings that were not distributed to shareholders, designed to limit tax avoidance at the individual stockholder level. Taxes on "undue" accumulations have been imposed (though seldom paid) since the inception of the income tax. These were supplemented, since 1934, by a "personal holding company" tax, equal to the highest individual income tax rate, on the undistributed earnings of closely held companies accumulating investment income. There was also a Depression-era tax on accumulated earnings (noted below).

In recent years, there have also been "minimum taxes" designed to supplement the regular taxes. These have the effect of a separate set of tax rates. These are noted in footnotes to the table.

² Calendar year unless otherwise noted. Taxpayers whose fiscal years spanned years with different rates were required to prorate the year's income between the two rate structures. Before 1933, the proration was based on the number of months in each year; after 1932, it was based on the number of days in each year.

³ "Taxable income" is used here to mean the amount of income to which the rates shown were applied. The concept has had various names and various meanings over the years covered; so, brackets for one year are not necessarily comparable with those for another.

⁴ An additional tax on "excess profits" and/or "war profits" was in effect from 1917 to 1922. It was allowed as a deduction in computing income tax.

⁵ An additional "declared value" excess profits tax, based on profits in excess of a percentage of the value of corporate stock, was in effect from 1933 through

1945. It was a deduction for income tax purposes.

⁶ An additional surtax ranging from 7 percent to 27 percent was imposed on undistributed profits.

⁷ From June 1940 to the end of 1945, a tax on profits in excess of average prewar earnings was also imposed. It was taken into account, as either a deduction or a credit, for the income tax and the other excess profits tax.

⁸ The rates for 1940 include extra "defense tax" rates that are integrated with the regular rates in later years.

⁹ These rates are the sum of the "normal tax" rates and the "surtax" rates, which actually applied to slightly different definitions of taxable income.

¹⁰ Beginning with Tax Year 1942, gains on the sale of assets held for more than 6 months (long-term capital gains) could be treated separately from other taxable income and taxed at a maximum rate of 25 percent.

¹¹ An excess profits tax was also in effect from July 1950 through Calendar Year 1953. The tax was 30 percent of an adjusted profits figure reduced by credits for the level of prewar profits. It was not offset against income tax, but the sum of income and excess profits taxes was capped at a given percentage of income (from 62 percent to 70 percent).

¹² These rates reflect a tax increase (for the Korean War), effective March 31, 1951. The maximum capital gains tax rate was also increased to 26 percent.

¹³ From April 1, 1954, through Calendar Year 1969, the maximum tax rate on capital gains was 25 percent.

¹⁴ From 1969 through 1986, corporations were also subject to an "add-on minimum tax" on certain "tax preference" items (such as percentage depletion, accelerated depreciation, etc.) above a certain amount. For Tax Years 1969 through 1976, the tax was 10 percent of tax preferences in excess of \$30,000; after 1976, the tax was 15 percent of preferences in excess of the greater of \$10,000 or regular income tax.

¹⁵ Rates include the Vietnam War surcharge of 10 percent.

¹⁶ Includes a 2.5-percent Vietnam War surcharge.

¹⁷ The maximum tax rate on long-term capital gains was increased to 28 percent.

¹⁸ The maximum tax rate on long-term capital gains was increased to 30 percent.

¹⁹ The holding period for long-term capital gain treatment of assets was increased from 6 to 9 months in 1977 and 12 months in 1978. The rate remained at 30 percent.

²⁰ The maximum tax rate on long-term capital gains was 28 percent.

²¹ Beginning in 1983, incorporated professional practices ("personal service corporations") have been taxed on all taxable income at the corporate tax rate applicable to the highest income bracket.

²² The Tax Reform Act of 1986 (TRA86) established a new rate structure effective for Tax Year 1988 and made the rates for Transition Year 1987 an average of the pre-TRA rates for 1986 and the post-TRA rates for 1988.

²³ A new "alternative minimum tax" (AMT) replaced the add-on minimum tax, effective in 1987. It required a calculation of an alternative measure of taxable income that reduced or eliminated many tax preference items. The tax was 20 percent of the excess of this "alternative minimum taxable income" (AMTI) over \$40,000. The \$40,000 exemption was reduced by 25 percent of the excess of AMTI over \$150,000. AMT in excess of regular tax could be carried over as a credit against regular tax in future years. In 1998, "small" corporations (generally, those with average gross receipts of less than \$5 million) were exempted from the AMT.

²⁴ The maximum tax rate on capital gains was capped at 34 percent for 1987, which was to be the rate on the highest corporate tax bracket in 1988 and after, according to TRA86. The maximum capital gain rate was raised to 35 percent when the highest corporate rate bracket was increased in 1993.

Sources

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